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THE ROLE OF THE PRIVATE SECTOR IN DEVELOPMENT

(Not an official record or press release. This summary is made available to NGO representatives for their information and free dissemination).

On 13 February 1992, **Mr. Galal Magdi**, Director, Division for Private Sector and Development, United Nations Development Programme (UNDP), briefed NGO representatives on the role of the private sector in development.

Mr. Magdi outlined how UNDP cooperates with governments in enhancing the participatory role of the private sector in the development process. UNDP addresses how a successful enterprise creates employment, transfers technology, and increases revenue. The UNDP vocation remains intact in its dealing with the private sector question.

The Role of UNDP

Mr. Magdi said that UNDP is the focal point of the United Nations system in providing technical assistance to developing countries. Its responsibility is mostly programme development and funding. The funding is based on voluntary contributions. UNDP is also supported by a number of specialized agencies and executing agencies of the United Nations system which deal with fields other than development per se. UNDP is a highly decentralized programme which is represented by offices in 113 countries and covers some 125 countries at present.

The programme has daily direct contact with the countries' governments concerning development issues. The development programme of each country is based on its national development plan. As advised by governments, UNDP seeks to determine what the needs of technical assistance are, and how assistance may be absorbed and used effectively.

UNDP and the private sector

UNDP's activities related to the private sector is a response to how governments now view the sector a motor to development. Countries which have been able to mobilize all sectors, and thus not isolate any group, have been successful in advancing development. This also involves NGOs. UNDP looks at the private sector as an integral part of the national capacity of a country The non-governmental sector is divided into the private sector, which makes profit, and the non-profit makers, which are the NGOs. It is important to see how the capacity of all these partners can be mobilized in the process of development to allow progress and to improve the living condition of the people, Mr. Magdi said.

Human development and the private sector

Mr. Magdi referred to the concept of human development adopted by UNDP which he said reflects the reality of the world we live in today. This concept stresses the importance of meeting basic needs through sustainable economic growth. A combination of these two factors is the fundamental basis for the concept, according to Mr. Magdi.

The private sector is an important element in promoting human resources development because it provides possibilities for people. It gives entrepreneurs the opportunity to succeed in their business as well as the poor the opportunity to raise their income and improve their living conditions.

The trend in the world is toward democracy and open markets, open ideas and deregulations of economies as well as more opportunities for people, Mr. Magdi said. UNDP seeks to assist governments to achieve these objectives.

Mr. Magdi pointed to the uniqueness of two resolutions adopted during the 45th and 46th session of the General Assembly concerning "entrepreneurship". This was the first time that the General Assembly recognized the importance of entrepreneurship in the development process. The resolutions drew attention to the need for funding and mobilizing of the private sector, and also to the necessity of training and know-how.

The challenge now is how to move from a centrally controlled economy to a market economy, Mr. Magdi continued. Privatizing alone is not the panacea for every country. When helping a country to move from one stage to another, a development programme must consider the dramatic changes in the attitude and the mentality as well as the acceptance of the process. The social, economic, and political condition of each country must be taken into account. Just changing ownership will not solve problems. UNDP stresses that transitions undertaken by governments should cause as little harm as possible to the people.

UNDP points to two major aspects which must be considered when the issue of involving the private sector in development is addressed, Mr. Magdi said. 1) The government policy must be analyzed. How can policy instruments such as legislation and institutions be developed which can help facilitate the involvement of the private sector in development programmes? 2) The private sector. How can the intellectual capacity, the institutions and the know-how of the private sector become an effective partner in the process?

The government is asked to provide an "enabling environment", in which the matrix of the legislation, regulations and institutions is harmonized, so that the investors and entrepreneurs become inclined to work with the development programme. Both international and national investors are approached.

UNDP informs the private sector of its responsibility vis à vis society, in terms of poverty alleviation, employment creation, and environmental issues. Mr. Magdi said he hoped that these messages will enhance the confidence building process which is needed for the partnership between government and private sector to become successful. Along with an enabling environment, Mr. Magdi said, it is important that a country establish an effective financial system which includes a banking system, a stock-exchange system, that is, a capital market system. Through these institutions, the expansion of the private sector can be facilitated and investment encouraged.

Another crucial point is investment promotion, Mr. Magdi said. UNDP encourages investors to direct funds toward small and medium-sized enterprises, which often encounter difficulties in gaining access to financial means. To keep the risks for the investor to a minimum, UNDP cooperates with MIGA (Multinational Insurance Group) and the World Bank.

Privatization

Mr. Magdi said the goal of development programmes should be to turn troubled enterprises into valuable companies, rather than the selling of unprofitable companies. Management is essential. A government trying to improve its country's economic situation should let as many people as possible participate in investment and development. The selling of shares at stockmarkets is the basis for a free market. Mr. Magdi warned against a transfer of government monopoly to private monopoly - a problem he said exists in most developing countries. Small and medium-sized enterprises and entrepreneurs must have the possibility to access the economy.

Access to the private sector

UNDP draws on volunteer advisers from the business community, mostly retired experts who dedicate their time and knowledge to development,

Mr. Magdi said. Volunteer advisers work in New York as well as in field offices. With the help of these experts UNDP learns about the position taken by the private sector in various development issues. Volunteers visit and assist enterprises in developing countries, where local volunteer advisors participate. This tremendously successful programme underscores the importance of people helping people in the developing process. Mr. Magdi said the fact that the motivation is not salary but to assist developing countries should make these projects interesting to NGOs. UNDP encourages NGO involvement and hopes to maximize the impact of development programmes by also bringing in the private sector.